

1 SHEPPARD MULLIN RICHTER & HAMPTON, LLP
NEIL A. SMITH (SBN 63777)
2 NATHANIEL BRUNO (SBN 228118)
Four Embarcadero Center, 17th Floor
3 San Francisco, CA 94111-4109
Telephone: (415) 434-9100
4 Facsimile: (415) 434-3947
Email: nsmith@sheppardmullin.com
5 Email: nbruno@sheppardmullin.com

6 Attorneys for Defendants
Apex Stores, LLC; Apex, LLC; Apex At Home, LLC
7

8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 OAKLAND DIVISION
11

12 24 Hour Fitness USA, Inc.,

13 Plaintiff,

14 v.

15 Apex Stores, LLC; Apex, LLC; Apex at
Home, LLC,

16 Defendants.
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Case No. 4:08-cv-01681-SBA

**DEFENDANTS' NOTICE OF MOTION
AND MOTION TO DISMISS BASED ON
THE LACK OF PERSONAL AND
SUBJECT MATTER JURISDICTION, AND
MEMORANDUM OF POINTS AND
AUTHORITIES THEREON**

[Fed. R. Civ. P. 12(b)(1) and 12(b)(2)]

HEARING: SEPTEMBER 9, 2008, 1:00 PM

COURTROOM: 3

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NOTICE OF MOTION AND MOTION

Please take notice that Defendants Apex Stores, LLC ("Apex Stores"), Apex, LLC ("Apex, LLC"), and Apex At Home, LLC ("Apex At Home"), by and through their attorneys hereby move to dismiss 24 Hour Fitness USA Inc.'s ("24 Hour Fitness") complaint pursuant to Federal Rules of Civil Procedure 12(b)(1) and 12(b)(2). This Motion is scheduled for a hearing on September 9, 2008, at 1:00 p.m., in Courtroom 3 of the above-captioned court.

CONCISE STATEMENT OF RELIEF SOUGHT

Defendants seek a complete dismissal of 24 Hour Fitness' First Amended Complaint based upon a lack of personal and subject matter jurisdiction.

MEMORANDUM OF POINTS AND AUTHORITIES**I. SUMMARY OF ARGUMENT**

Shopping for a forum that would maximize its leverage in discussions concerning the parties' respective uses of the same "Apex" marks, 24 Hour Fitness filed an anticipatory suit against Apex Stores on March 27, 2008, asking for a declaratory judgment that it does not infringe Apex Stores' federal trademark registrations ("Original Complaint"). Plaintiff then took no action to serve or otherwise pursue its lawsuit for more than six weeks, during which it purported to engage in negotiations with the Defendants' counsel for a possible shared use of the "Apex" marks. But Plaintiff refused to discuss any specific limitations on its use of those marks and the negotiations came to a standstill. Only after Apex, LLC and Apex At Home filed and served a lawsuit in the Federal District Court for the District of Rhode Island, did the Plaintiff finally serve its Complaint. 24 Hour Fitness then filed its First Amended Complaint, adding defendants Apex, LLC and Apex At Home.

Apex, LLC and Apex Stores now move to dismiss the First Amended Complaint pursuant to Fed. R. Civ. P. 12(b)(2), because they lack sufficient contacts with California to justify the

1 assertion of personal jurisdiction in this forum. All three Defendants also move to dismiss the
 2 First Amended Complaint pursuant to Fed. R. Civ. P. 12(b)(1), as there was no legitimate "case or
 3 controversy" between the parties at the time 24 Hour Fitness filed its Original Complaint.
 4 Throughout the negotiations between the parties, Defendants' counsel never explicitly or
 5 implicitly threatened to file an action against 24 Hour Fitness. To the contrary, Defendants'
 6 counsel sought to resolve the issue of joint use of the Apex marks amicably and expressed
 7 Defendants' openness to settle the issue. In addition, this Court should dismiss 24 Hour Fitness'
 8 action against Apex Stores for lack of subject matter jurisdiction, because that company no longer
 9 owns the trademarks at issue, so it no longer has any stake in the outcome of this controversy.
 10

11 Lastly, even if this Court were to have jurisdiction over the First Amended Complaint, it
 12 should not exercise that jurisdiction and instead allow for resolution of Apex, LLC's and Apex At
 13 Home's federal infringement claims in the District of Rhode Island, where their common law
 14 infringement claims, federal and state unfair competition claims and claim to cancel 24 Hour
 15 Fitness' trademark registrations will proceed in any event.¹
 16

17 **II. FACTUAL BACKGROUND AND PROCEDURAL HISTORY**

18 **A. The Parties**

19 Apex Stores, Apex At Home and Apex, LLC are all Rhode Island limited liability companies
 20 with principal places of business in Pawtucket, Rhode Island. (Decl. of Andrew A. Gates ("Gates
 21 Decl.") ¶¶ 2, 14, 25). While affiliates, they are separate entities that maintain separate books and
 22 records, separate bank accounts and do not commingle assets or liabilities. (*Id.* ¶¶ 28-29).
 23

24 Founded on June 25, 1999 Apex Stores operated a retail service business, including
 25 operation of an internet retail store, until July 2001. (*Id.* ¶ 4). Since that time, Apex Stores has
 26 existed primarily as a holding company to maintain ownership of trademark registrations and
 27

28 ¹ Pursuant to this Court's Standing Civil Order, ¶ 5, Defendants certify they conferred with Plaintiff via telephone and e-mail in attempts to resolve the issues in this motion prior to filing.

1 common law trademark rights to certain “Apex” marks. (*Id.* ¶ 5). On April 30 and May 6, 2008,
2 Apex Stores transferred all of those trademark rights to Apex, LLC, which already held
3 ownership of certain other trademark rights. (*Id.* ¶ 6).

4 Formed on March 20, 2004, Apex, LLC was formed to be a holding company, taking
5 ownership of many federal, state and common law trademark rights utilized by operating entities
6 such as Apex At Home and other affiliates. (*Id.* ¶ 17). Some of those trademarks were
7 transferred at that time, and the remaining “Apex” marks still held by Apex Stores were
8 transferred to Apex, LLC on April 30 and May 6, 2008. (*Id.* ¶ 6).

10 Formed on June 12, 2001, Apex At Home provides retail services, and has owned and
11 operated an internet retail store at the domain name apexstores.com since July 1, 2001. (*Id.* ¶ 25).

12 Since at least as early as 1942, Apex At Home, its predecessors and affiliates have
13 consistently provided and continue to provide retail services. (*Id.* ¶ 30). Over the years, they
14 expanded these services to include without limitation, the operation of retail department stores,
15 specialty concept stores, mail order operations and online retail operations. (*Id.* ¶ 31). Since at
16 least as early as the 1960s, their retail services have included a wide variety of general
17 merchandise and services, including without limitation sporting goods, athletic apparel, athletic
18 footwear, athletic equipment, fitness equipment, various food items and products, health and
19 beauty products, related fitness accessories and a wide variety of other related and unrelated
20 items. (*Id.* ¶ 32).

22 Apex, LLC and Apex At Home are the owners of a family of common law and registered
23 Apex trademarks, which have been in continuous use since 1942 (“Apex”) and 1996 (“Apex
24 Online” and “Apex Stores”) in connection with various retail store, mail order purchase and
25 computerized online retail services. (*Id.* ¶ 33).

27 Founded in 1983, Plaintiff 24 Hour Fitness operates a chain of health and fitness clubs and
28

1 through its wholly owned subsidiary Apex Fitness, Inc. offers fitness and nutrition programs and
2 products. (First Amended Complaint ¶ 8). 24 Hour Fitness is a corporation organized and
3 existing under the laws of California, with a principal place of business in California. (*Id.* ¶ 8).

4 **B. Petition for Cancellation of 24 Hour Fitness' Marks**

5 On December 15, 2006, Apex Stores' U.S. Application Serial No. 78/928,022 for the
6 mark "Apex Companies" was refused by the USPTO based on 24 Hour Fitness' federal
7 registrations. (Declaration of John E. Ottaviani ("Ottaviani Decl.") ¶ 4, Ex. A). On November 1,
8 2007, Apex Stores filed with the USPTO TTAB a Petition for Cancellation against 24 Hour
9 Fitness requesting cancellation of 24 Hour Fitness' registrations because of the likelihood of
10 confusion with the Apex Marks and the dilution of their distinctive quality. (*Id.* ¶ 5). The same
11 day, Defendants' counsel sent a letter serving 24 Hour Fitness with a copy of the Petition for
12 Cancellation. (*Id.* ¶ 6, Ex. B).

13 **C. Settlement Negotiations and Procedural History**

14 On January 14, 2008, Defendants' counsel contacted counsel for 24 Hour Fitness to
15 inquire "whether 24 Hour Fitness would be amenable to settling this dispute by issuing a letter of
16 consent to our client for the registration that was refused by the USPTO." (Ottaviani Decl. ¶ 7).
17 On the same day, 24 Hour Fitness' counsel sent an e-mail stating that she would "follow up with
18 our client regarding its use of the Apex mark for 'distributorship featuring vitamins & fitness
19 programs,' and the possibility of issuing a letter of consent." (*Id.*, Ex. C). On January 29, 2008,
20 counsel for both parties participated in a telephone conference in which Plaintiff's counsel
21 suggested that 24 Hour Fitness was not using the "Apex" mark for retail sales, and further stated
22 that there was a possibility that 24 Hour Fitness would consent to Apex Stores' registration of an
23 "Apex Companies" service mark. (*Id.* ¶ 8). In a February 5, 2008 e-mail, counsel for 24 Hour
24 Fitness inquired again as to whether Apex Stores was interested in the possibility of settling the
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1 proceeding by obtaining a letter of consent for its registration. (*Id.* ¶ 9, Ex. D).

2 By letter, on March 10, 2008, Apex Stores sought 24 Hour Fitness' agreement to
3 discontinue use of the Apex mark in connection with certain services, after a reasonable phase-out
4 period. (*Id.* ¶ 10, Ex. E). In his March 10th letter, Defendants' counsel expressed concern about
5 the potential for confusion, but emphasized that Apex Stores "hopes we can resolve this issue
6 amicably," and "certainly continues to be open to settlement discussions." (*Id.*). While
7 proposing a possible phase out scenario, Defendants' counsel acknowledged: "you and your client
8 may also have proposals to offer that we have not considered." (*Id.*).

10 On March 27, 2008, 24 Hour Fitness filed its Original Complaint in this Court seeking a
11 declaratory judgment for non-infringement of trademark and alleging that its use of the Apex
12 marks do not infringe on Apex Stores' marks. In its race to the court, 24 Hour Fitness provided
13 no notice to Defendants' counsel (or Defendants) that it filed the suit, and instead held out that it
14 was still willing to negotiate a potential agreement. (E.g., Original Complaint, Ottaviani Decl. ¶ ¶
15 11, 12, Exs. F, G). Plaintiff did not serve its Original Complaint until May 12, 2008.

17 By letter, on April 11, 2008, 24 Hour Fitness rejected the suggestion that it phase out use
18 of the "Apex" marks altogether, but represented that "24 Hour Fitness continues to view a
19 consent agreement under which the parties would agree to confine their activities under their
20 Apex marks to their respective business areas as a potentially reasonable resolution of this
21 matter." (*Id.* ¶ 11, Ex. F). On April 24, 2008, counsel for 24 Hour Fitness inquired when
22 Defendants' counsel was going to respond to the April 11th letter. (*Id.* ¶ 12, Ex. G). That day,
23 Defendants' counsel responded that he was unable to reach his client but will respond to the
24 letter promptly once he does. (*Id.*). On April 29, 2008, Defendants' counsel informed 24 Hour
25 Fitness that Apex Stores is "perfectly happy to have me talk to you, or for the President of our
26 client to talk directly with the President of your client, to discuss a resolution of the issues." (*Id.*).

1 The next day, on April 30, 2008, counsel for 24 Hour Fitness replied that “we definitely would
2 like to have a discussion among the attorneys first. What we are looking for is to determine
3 whether or not your client is interested in the co-existence terms that we outlined in our last
4 letter.” (*Id.*). In that e-mail, counsel for 24 Hour Fitness asked to schedule a conference call to
5 discuss a potential consent agreement. (*Id.*). On May 1, 2008, Defendants’ counsel responded by
6 noting that 24 Hour Fitness’ counsel had not proposed any specific terms and suggested that he
7 do so before the conference call. (*Id.*). Counsel for both parties agreed on a conference call
8 scheduled for the following business day, on May 5, 2008 to discuss a potential consent
9 agreement. (*Id.*).
10

11 During the May 5, 2008 conference call, Plaintiff’s counsel was unwilling to provide any
12 specific terms for a possible consent agreement and instead referred to the general concept set
13 forth contained in the April 11, 2008 letter. (*Id.* ¶ 13). Defendants’ counsel concluded that the
14 parties’ efforts to negotiate a consent agreement were unsuccessful and that 24 Hour Fitness
15 intended to push ahead with a competing retail use of the marks. (*Id.* ¶ 14).
16

17 On May 5, 2008, several days prior to receiving service of 24 Hours Fitness’ Original
18 Complaint, Defendants Apex, LLC and Apex At Home filed an action in the United States
19 District Court for the District of Rhode Island (“Rhode Island Action”) against 24 Hour Fitness
20 for trademark infringement under 15 U.S.C. § 114 and 1125(a), common law trademark
21 infringement, and common law unfair competition, and seeking cancellation of 24 Hour Fitness’
22 “Apex” registrations. On June 3, 2008, 24 Hour Fitness filed a First Amended Complaint
23 (“FAC”) adding new defendants Apex, LLC and Apex At Home.
24

25 **III. ARGUMENT**

26 **A. THE FIRST AMENDED COMPLAINT AGAINST APEX STORES AND** 27 **APEX, LLC SHOULD BE DISMISSED FOR LACK OF PERSONAL** 28 **JURISDICTION OVER THOSE DEFENDANTS**

1 **1. The Applicable Standard**

2 Although Apex Stores and Apex, LLC are the moving parties under Fed. R. Civ. P.
3 12(b)(2), 24 Hour Fitness bears the burden of demonstrating that personal jurisdiction exists over
4 those defendants. *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 800 (9th Cir. 2004).
5 In ruling on a motion to dismiss for lack of personal jurisdiction, the Court must consider: (1)
6 whether a state statute potentially confers personal jurisdiction over the non-resident defendant,
7 and (2) whether the exercise of jurisdiction accords with federal constitutional principles of due
8 process. *Congoleum Corp. v. DLW Aktiengesellschaft*, 729 F.2d 1240 (9th Cir. 1984) (citing
9 *Data Disc, Inc. v. Systems Technology Associates, Inc.*, 557 F.2d 1280, 1285-86 (9th Cir. 1977)).
10 California's long-arm statute, California Civil Procedure Code Section 410.10, authorizes state
11 and federal courts to exercise personal jurisdiction to the full extent permitted by the Constitution,
12 as a result, the jurisdictional analyses under California law and federal due process are the same.
13
14 *Id.* at 1241. *Schwarzenegger*, 374 F.3d at 801.

15
16 The exercise of jurisdiction over non-resident defendants is consistent with the
17 requirements of due process only where the defendants maintain "minimum contacts" with the
18 State of California, such that the exercise of jurisdiction "does not offend traditional notions of
19 fair play and substantial justice." *International Shoe Co. v. Washington*, 326 U.S. 310, 316
20 (1945). The *Int'l Shoe* requirements must be met as to each defendant over whom jurisdiction is
21 to be exercised. *Cubbage v. Merchant*, 744 F.2d 665, 668 (9th Cir. 1984) (citing *Rush v.*
22 *Savchuk*, 444 U.S. 320, 332 (1980)). There are two recognized bases for exercising personal
23 jurisdiction over a non-resident defendant – general and specific.
24

25 **2. This Court Lacks General Jurisdiction Over Apex Stores and Apex, LLC**

26 For general jurisdiction to exist over Apex Stores and Apex, LLC, those defendants must
27 engage in "continuous and systematic general business contacts" that "approximate physical
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presence” in the forum State. *Schwarzenegger*, 374 F.3d at 801 (quoting *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 416 (1984)). “This is an exacting standard, as it should be, because a finding of general jurisdiction permits a defendant to be haled into court in the forum State to answer for any of its activities anywhere in the world.” *Id.* (quoting *Bancroft & Masters, Inc. v. Augusta Nat’l, Inc.*, 223 F.3d 1082, 1087 (9th Cir. 2000)). General jurisdiction does not exist absent a showing of pervasive contacts. *Goldberg v. Cameron*, 482 F.Supp.2d 1136, 1143 (N.D. Cal. 2007). Factors considered in evaluating the extent of contacts include whether the defendant makes sales, solicits or engages in business, designates an agent for service of process, holds a license, or is incorporated in the forum State. *Bancroft & Masters, Inc.*, 223 F.3d at 1086.

General jurisdiction does not exist over Defendants Apex Stores and Apex, LLC here, because they do not have sufficient business contacts in California. Apex Stores and Apex, LLC: 1) are Rhode Island limited liability companies; 2) with principal places of business in Rhode Island; 3) are not registered to do business in California; 4) do not maintain an office in California; 5) do not own property in California; 6) have no employees in California; 7) do not have an agent for service of process in California; 8) do not have any registered agents living in California; 9) have not solicited sales of products or services in California; 10) have not sold any products or services to consumers in California; 11) have not sold or endorsed any print, television, or radio advertisements in California; and 12) do not maintain a passive or interactive website. (Gates Decl. ¶¶ 2, 7-13, and ¶¶ 14, 18-24).

The Ninth Circuit has refused to exercise general jurisdiction over non-resident companies who lack significant business contacts in California. *See Tercica, Inc. v. Insmad Inc.*, 2006 WL 1626930, at *12 (N.D. Cal. Jun. 9, 2006) (no general jurisdiction exists over Virginia corporation with principal place of business in Virginia where the defendant does not have an office, does not

solicit sales, and does not advertise in California). *See also Hilsenrath v. Equity Trust (Jersey) Ltd.*, 2008 WL 728902, at *4 (N.D. Cal. Mar. 17, 2008) (“Bermuda Company that has never conducted business or had property, bank accounts, assets, offices, officers, directors, agents or employees in California...does not have sufficient contacts with California to support jurisdiction over it.”); *Rascon v. Checkcare Enterprises*, 2006 WL 2192114, at *2 (N.D. Cal. Aug. 1, 2006) (No general jurisdiction exists over “Kentucky company with its principal place of business in Kentucky [that] . . . has no office or branch in California, does not conduct business in California, and is not registered to do business in California.”).

3. This Court Lacks Specific Jurisdiction Over Apex Stores and Apex, LLC

For specific jurisdiction to exist over non-residents Apex Stores and Apex, LLC, the cause of action alleged by 24 Hour Fitness must arise out of or relate to their activities within this forum. *Hilsenrath v. Equity Trust (Jersey) Ltd.*, 2008 WL 728902, at *2 (N.D. Cal. Mar. 17, 2008) (citation omitted). Specific jurisdiction is analyzed using a three-prong test: (1) the non-resident defendant must purposefully direct its activities or consummate some transaction with the forum or a resident thereof; or perform some act by which it purposefully avails itself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws; (2) the claim must be one which arises out of or results from the defendant’s forum-related activities; and (3) the exercise of jurisdiction must be reasonable. *Id.* (citing *Lake v. Lake*, 817 F.2d 1416, 1421 (9th Cir. 1987)). Each is a requirement that must be met in order to assert jurisdiction over Apex Stores and Apex, LLC. *Id.* (citing *Insurance Co. of N. Am. v. Marina Salina Cruz*, 649 F.2d 1266, 1270 (9th Cir. 1981)).

The first prong encompasses two distinguishable concepts, “purposeful availment” and “purposeful direction.” *Schwarzenegger*, 374 F.3d at 802. Purposeful availment typically applies to causes of action “sounding in contract,” while purposeful direction applies to causes of action

1 “sounding in tort.” *Id.* A showing that a defendant “purposefully directed” its conduct toward a
2 forum State “usually consists of evidence of the defendant’s actions outside the forum state that
3 are directed at the forum, such as the distribution in the forum state of goods originating
4 elsewhere.” *Id.* at 803. Purposeful direction may be established under the “effects test” where
5 the defendant (1) committed an intentional act, (2) expressly aimed at the forum State, (3) causing
6 harm that the defendant knows is likely to be suffered in the forum State. *Dole Food Co. v.*
7 *Watts*, 303 F.3d 1104, 1111 (9th Cir. 2002). “Numerous cases both within and outside this circuit
8 have applied the [“effects”] doctrine to actions for willful copyright infringement or other torts
9 involving intellectual property.” *Autodesk, Inc. v. RK Mace Engineering, Inc.*, 2004 WL 603382,
10 at *4 (N.D. Cal. March 11, 2004) (citing *Panavision Intern., L.P. v. Toeppen*, 141 F.3d 1316,
11 1322 (9th Cir. 1998) and numerous other cases).

12
13 The second prong of the specific jurisdiction analysis requires that the claim arise out of
14 or result from the defendant’s forum-related activities. *Hilsenrath*, 2008 WL 728902, at *3. A
15 claim arises out of a defendant’s conduct if the claim would not have arisen “but for” the
16 defendant’s forum-related contacts. *Id.* (citing *Panavision Int’l v. L.P. v. Toeppen*, 141 F.3d 1316,
17 1322 (9th Cir. 1998)).

18
19 Plaintiff cannot satisfy the two prongs necessary for this Court to exercise specific
20 jurisdiction over Apex Stores and Apex, LLC. Defendants have not purposefully directed any
21 material business activity in California. Their only business agreement that may be said to
22 contact California is a web hosting agreement, executed in Rhode Island and governed by Rhode
23 Island law, that does not involve Apex Stores or Apex, LLC coming into California to obtain or
24 provide services. (Gates Decl. ¶ 7). In any event, that contract has nothing to do with this
25 trademark infringement dispute.
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1 Apex Stores' and Apex, LLC's only contacts concerning their trademarks directed toward
 2 the State of California were letters and email communications between their counsel and counsel
 3 for 24 Hour Fitness, in an effort to negotiate a potential consent agreement. (*See generally*
 4 Ottaviani Decl.). It is well-established that settlement letters alone do not suffice to justify
 5 personal jurisdiction. *See e.g., Yahoo! Inc. v. La Ligue Contre Le Racisme Et L'Antisemitisme*,
 6 433 F.3d 1199, 1208 (9th Cir. 2006); *Jacobsen v. Katzer*, 2006 WL 3000473, at *5 (N.D. Cal.
 7 Oct. 20, 2006); *Dex Products, Inc. v. Houghteling*, 2006 WL 1751903, at *4 (N.D. Cal. Jun. 23,
 8 2006).

10 There are strong policy reasons to encourage settlement letters and to discourage courts
 11 from exercising personal jurisdiction over parties for utilizing them. *See Yahoo! Inc.*, 433 F.3d at
 12 1208 (9th Cir. 2006) ("They are normally used to warn an alleged rights infringer that its conduct,
 13 if continued, will be challenged in a legal proceeding, and to facilitate resolution of a dispute
 14 without resort to litigation. If the price of sending a cease and desist letter is that the sender
 15 thereby subjects itself to jurisdiction in the forum of the alleged rights infringer, the rights holder
 16 will be strongly encouraged to file suit in its home forum without attempting first to resolve the
 17 dispute informally by means of a letter."). *See also Jacobsen*, 2006 WL 3000473, at *5 ("A
 18 cease and desist letter may be viewed as an offer of settlement, and it is neither fair nor efficient
 19 to provide a disincentive to settlement by subjecting the sender to personal jurisdiction out of
 20 state."); *Dex Products, Inc.*, 2006 WL 1751903, at *4 ("Standards of fairness demand that
 21 [defendant] be insulated from personal jurisdiction in a distant foreign forum when its only
 22 contacts with that forum were efforts to give proper notice of its patent rights.").

25 **4. It would be Unreasonable for this Court to Exercise Personal Jurisdiction**
 26 **over Apex Stores and Apex, LLC.**

27 Even if 24 Hour Fitness could somehow satisfy the first two prongs of the specific
 28 jurisdiction analysis, it cannot establish that the exercise of personal jurisdiction over Apex Stores

1 and Apex, LLC is reasonable. See *Hilsenrath*, 2008 WL 728902, at *3 (citing *Burger King Corp.*
2 *v. Rudzewicz*, 471 U.S. 462, 472-73 (1985); *Haisten v. Grass Valley Medical Fund, Ltd.*, 784 F.2d
3 1392, 1397 (9th Cir. 1986)). Seven factors are considered in assessing whether the exercise of
4 jurisdiction over a non-resident defendant is reasonable: (1) the extent of the defendant's
5 purposeful interjection into the forum State's affairs; (2) the burden on the defendant; (3)
6 conflicts of law between the forum State and the defendant's home jurisdiction; (4) the forum
7 State's interest in adjudicating the dispute; (5) the most efficient judicial resolution of the dispute;
8 (6) the plaintiff's interest in convenient and effective relief; and (7) the existence of an alternative
9 forum. *Id.* (citing *Caruth v. International Psychoanalytical Ass'n*, 59 F.3d 126, 128 (9th Cir.
10 1995); *Roth v. Garcia Marquez*, 942 F.2d 617, 623 (9th Cir. 1991)).

12 These factors militate heavily against the exercise of specific jurisdiction over Apex
13 Stores and Apex, LLC. As explained, the purposeful interjection into the affairs of California is
14 tangential, at most, for Apex Stores and non-existent for Apex, LLC. An important consideration
15 is the undue burden that the exercise of jurisdiction here would have on Apex Stores and Apex,
16 LLC when an alternate forum exists that would provide a more efficient resolution of the parties'
17 dispute. It would be unduly burdensome for two Rhode Island companies with no significant
18 business contacts in California to litigate here the question of infringement of trademark rights
19 that will be established by witnesses and documents in Rhode Island. This Court has observed:

22 While the Ninth Circuit has noted that the burden of litigating in a foreign
23 forum has become less significant as a result of advances in
24 communication and transportation it has also noted that the law of
25 personal jurisdiction is asymmetrical and where, as here, the defendant has
26 done little to reach out to the forum state, the burden of defending itself in
27 a foreign forum militates against exercising jurisdiction.

28 *Tercica, Inc.*, 2006 WL 1626930, at *15 (quoting *FDIC v. British-American Ins. Co., Ltd.*, 828
F.2d 1439, 1443 (9th Cir. 1987) (internal quotations omitted)).

Further, given that the District of Rhode Island action is far more comprehensive, raising

1 all issues in dispute between the parties -- including the issue of 24 Hour Fitness' infringement of
2 Apex, LLC's and Apex At Home's common law trademark rights violation of Rhode Island under
3 competition law and cancellation of 24 Hour Fitness' trademark registrations -- it will be most
4 efficient for the courts and the parties to resolve this infringement issue in that single forum, as
5 opposed to leaving two actions between the same parties pending in two separate courts, as the
6 plaintiff prefers. *See Doe v. Geller*, 533 F.Supp.2d 996, 1009 (N.D. Cal. 2008) (“[t]he most
7 efficient judicial resolution of the controversy weighs against jurisdiction” in California where
8 “the mirror image of [defendant’s] copyright infringement claim [was] pending in the [Eastern
9 District of] Pennsylvania.”).

11 Moreover, the State of Rhode Island has a greater interest in adjudicating the dispute than
12 the State of California. 24 Hour Fitness seeks a declaratory judgment that it does not infringe
13 Defendants rights under the Lanham Act arising out of only their federally registered trademarks.
14 *See* First Amended Complaint, ¶¶ 10 and 30(a) (“Defendants Marks” at issue include only the
15 federally registered marks). 24 Hour Fitness has asserted no claims under the law of the State of
16 California. *See id.* at 1009 (the forum state California’s interest in adjudicating the dispute
17 weighed against the exercise of personal jurisdiction over defendant where the plaintiff alleged no
18 violation of California law). On the other hand, Apex, LLC and Apex at Home have filed an
19 action in the District of Rhode Island seeking substantive relief under the common law of the
20 State of Rhode Island, in addition to relief under the federal Lanham Act. The State of Rhode
21 Island has a greater interest in adjudicating a dispute that would provide substantive relief to its
22 residents under the common law of the State.

25 In addition, while 24 Hour Fitness may argue that its interest in convenient and effective
26 relief weighs in its favor because it would be convenient to litigate the dispute in its home forum
27 of California, the Ninth Circuit gives little credence to this factor in its determination of
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1 reasonableness. *See CE Distribution, LLC v. New Sensor Corp.*, 380 F.3d 1107, 1112 (9th Cir.
 2 2004) (quoting *Harris Rutsky*, 328 F.3d at 1133) (“Litigating in one’s home forum is obviously
 3 most convenient. We have noted, however, that this factor is ‘not of paramount importance.’”).

4 Lastly, because there is no conflict of law between California and Rhode Island, that
 5 factor is inapplicable to the determination of reasonableness.
 6

7 **5. Apex At Home's California contacts cannot be imputed to Apex Stores and**
 8 **Apex, LLC**

9 While Apex At Home does not dispute personal jurisdiction in this forum (due to its use
 10 of the “Apex” marks to run an internet retail store available to consumers in California), this does
 11 not extend jurisdiction to Apex, LLC or Apex Stores. It is well-established in the Ninth Circuit
 12 that the due process requirements for the exercise of personal jurisdiction must be met with
 13 respect to each defendant named in the complaint. *Cubbage v. Merchant*, 744 F.2d 665, 668 (9th
 14 Cir. 1984) (citing *Rush v. Savchuk*, 444 U.S. 320, 332 (1980)); *Itel FL, Inc. v. Container Land*
 15 *Associates*, 1997 WL 229951, at *3 (N.D. Cal. Apr. 22, 1997). Moreover, for the purposes of
 16 personal jurisdiction, the actions of one defendant cannot be attributed to another. *ADO Finance,*
 17 *AG v. McDonnell Douglas Corp.*, 931 F.Supp. 711, 714 (C.D. Cal. 1996) (citing *Rush v. Savchuk*,
 18 444 U.S. 320, 332, 100 S.Ct. 571, 579, 62 L.Ed.2d 516 (1980)).
 19

20 Only where an agency or alter ego relationship exists between defendants may the court
 21 pierce the corporate veil and impute the contacts of one defendant to exercise personal
 22 jurisdiction over the other defendant. *See, e.g., Oncology Therapeutics Network Connection v.*
 23 *Virginia Hematology Oncology PLLC*, 2006 WL 334532, at *14 (N.D.Cal. Feb. 10, 2006) (citing
 24 *Harris-Rutsky & Co. Ins. Services, Inc. v. Bell & Clements Ltd.*, 328 F.3d 1122 (9th Cir. 2003)).
 25 “Under California law, the party asserting that one company is the alter ego of another must make
 26 out a prima facie case comprised of two elements: (1) that there is such unity of interest and
 27 ownership that the separate personalities of the two corporations no longer exist and (2) that
 28

1 failure to disregard the corporation would result in fraud or injustice.” *RAE Systems, Inc. v. TSA*
 2 *Systems, Ltd.*, 2005 WL 1513124, at *3 (N.D. Cal. Jun. 24, 2005) (citations omitted). “The trier
 3 of fact must consider a wide variety of factors to determine whether both prongs of this test are
 4 satisfied.” *Id.* (citation omitted). “At the pleading stage, conclusory allegations that a corporate
 5 entity is the alter ego of the defendant are insufficient to survive a motion to dismiss.” *Id.* (citing
 6 *Hockey v. Medhekar*, 30 F.Supp.2d 1209, 1211 n. 1 (N.D. Cal. 1998); *Hokama v. E.F. Hutton &*
 7 *Company, Inc.*, 566 F.Supp. 636, 647 (C.D. Cal. 1983)). “Plaintiff must allege facts that would
 8 support a finding that “adher[ing] to that separateness would work an injustice.” *Oncology*
 9 *Therapeutics Network Connection*, 2006 WL 334532, at *19 (citation and internal quotation
 10 omitted).

11
 12 Apex At Home, Apex Stores, and Apex, LLC are separate corporate affiliates operating
 13 independently of each other. (Gates Decl. ¶¶ 28-29). No agency or alter ego relationship exists
 14 amongst the three companies. Notably, the courts routinely limit a finding of an agency or alter
 15 ego relationship to companies with parent/subsidiary relationships. Here, while all three
 16 Defendants are affiliates, none is a parent or subsidiary of the other. (*Id.*). Even then the court
 17 still must find that the parent company exerts a substantial level of control over the affairs of the
 18 subsidiary. *See Bright v. Primary Source Media*, 1998 WL 671247, at *6 (N.D. Cal. Sep. 19,
 19 1998) (“[W]here a corporate parent actively approves a corporation’s major policy decisions and
 20 is involved in the executive operation of the corporation, the Ninth Circuit has held that an agency
 21 relationship does not exist for the purpose of establishing personal jurisdiction”); *also Doe v.*
 22 *Unocal Corp.*, 248 F.3d 915, 925 (9th Cir. 2001) (“The existence of a relationship between a
 23 parent company and its subsidiaries is not sufficient to establish personal jurisdiction over the
 24 parent on the basis of the subsidiaries’ minimum contacts with the forum.”).

25
 26
 27 California courts do not lightly find an agency or alter ego relationship between separate
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1 corporate affiliates. For example, in *Bright*, this Court did not find an agency relationship
 2 between the defendant company and its corporate affiliate and refused to exercise personal
 3 jurisdiction over the company in spite of the corporate affiliate's extensive contacts with the State
 4 of California. 1998 WL 671247, at *6.

5 Moreover, the fact that Apex Stores and Apex, LLC share a "common trade name" with
 6 Apex At Home is not sufficient for this Court to exercise jurisdiction over the companies. *See*
 7 *Von Grabe v. Sprint PCS*, 312 F.Supp.2d 1285, 1301 (S.D. Cal. 2003) ("As in similar cases
 8 involving use of a common trade name, [p]laintiff's subjective interpretation and/or assumption or
 9 conclusion, without more, is not sufficient to establish personal jurisdiction over [defendant].").
 10

11 **B. THIS COURT SHOULD DISMISS 24 HOUR FITNESS' COMPLAINT FOR**
 12 **LACK OF SUBJECT MATTER JURISDICTION**

13 The Declaratory Judgment Act provides that, "[i]n a case of actual controversy within its
 14 jurisdiction ... any court of the United States ... may declare the rights and other legal relations of
 15 any interested party seeking such declaration." 28 U.S.C. § 2201(a). The "actual controversy"
 16 requirement of the DJA is the same as the "case or controversy" requirement of Article III of the
 17 United States Constitution. *Neilmed Products, Inc. v. Med-Systems, Inc.*, 472 F.Supp.2d 1178,
 18 1179-1180 (N.D. Cal. 2007) (citing *American States Ins. Co. v. Kearns*, 15 F.3d 142, 143 (9th
 19 Cir.1994)).
 20

21 Federal courts use a two-part test to determine whether a declaratory judgment is
 22 appropriate. *Id.* (citing *Principal Life Ins. Co. v. Robinson*, 394 F.3d 665, 669 (9th Cir. 2004)).
 23 First, the court must determine if there exists an "actual case or controversy" within the court's
 24 jurisdiction. *Id.* at 1180. If so, the court secondarily must decide whether to exercise its
 25 jurisdiction. *Id.* Under Fed. R. Civ. P. 12(b)(1) dismissal of a declaratory judgment claim for
 26 lack of subject matter jurisdiction is proper where the plaintiff fails to show under "all the
 27 circumstances, an actual and imminent injury caused by the defendant that can be redressed by
 28

1 judicial relief, and that is of sufficient immediacy and reality to warrant the issuance of a
 2 declaratory judgment.” *See Bridgelux, Inc. v. Cree, Inc.*, 2007 WL 2022024, at *4 (N.D. Cal.
 3 July 9, 2007) (citing *Teva Pharms. USA, Inc. v. Novartis Pharms. Corp.*, 482 F.3d 1330, 1338
 4 (2007) which in turn quotes *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764, 771 (2007)).

5 An actual controversy, however, must exist at the time the complaint is filed. *Hideki*
 6 *Electronics, Inc. v. LaCrosse Technology, Ltd.*, 2006 WL 1643534, at *3 (D. Or. Jun. 5, 2006).
 7 “Later events may not create jurisdiction where none existed at the time of filing.” *Id.* (quoting
 8 *GAF Bldg. Materials Corp. v. Elk Corp. of Dallas*, 90 F.3d 479, 483 (Fed. Cir. 1996).

9 The declaratory judgment plaintiff carries the burden of proving the existence of facts
 10 underlying his allegations of the existence of an “actual controversy.” *SanDisk Corp. v. Audio*
 11 *MPEG, Inc.*, 2007 WL 30598, at *3 (N.D. Cal. Jan. 3, 2007) (quoting *Indium Corp. of Am. v.*
 12 *Semi-Alloys, Inc.*, 781 F.2d 879, 883 (Fed. Cir. 1985)). A federal court is presumed to lack
 13 jurisdiction in a particular case unless the contrary affirmatively appears. *Crossbow Technology,*
 14 *Inc. v. YH Technology*, 531 F.Supp.2d 1117, 1119 (N.D.Cal. 2007) (quoting *A-Z Intern. v.*
 15 *Phillips*, 323 F.3d 1141, 1145 (9th Cir. 2003) (internal quotation omitted)).

16 The district court when ruling on a motion to dismiss under Rule 12(b)(1) need not accept
 17 the pleadings as true. *SanDisk Corp.*, 2007 WL 30598, at *3 (citing *Cedars-Sinai Med. Ctr. v.*
 18 *Watkins*, 11 F.3d 1573, 1583 (Fed. Cir.1993)). Only uncontroverted factual allegations must be
 19 taken as true, while all other facts underlying the controverted jurisdictional allegations are in
 20 dispute and are subject to fact-finding by the district court. *Id.* (alteration omitted) (quoting
 21 *Cedars-Sinai Med. Ctr.*, 11 F.3d at 1583-84). The facts giving rise to jurisdiction over a
 22 declaratory judgment action “should be found in the complaint.” *Id.* (quoting *Int’l Med.*
 23 *Prosthetics Research Assocs., Inc. v. Gore Enter. Holdings, Inc.*, 787 F.2d 572, 576 n. 8 (Fed.
 24 Cir. 1986)). A Rule 12(b)(1) motion may either attack the sufficiency of the pleadings to
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1 establish federal jurisdiction, or allege an actual lack of jurisdiction which exists despite the
 2 formal sufficiency of the complaint. *Monolithic Power Systems, Inc. v. O2 Micro Intern. Ltd.*,
 3 2007 WL 2318924, at *2 (N.D.Cal. Aug. 13, 2007) (citing *Thornhill Publ'g Co. v. Gen. Tel. &*
 4 *Elecs. Corp.*, 594 F.2d 730, 733 (9th Cir. 1979); *Roberts v. Corrothers*, 812 F.2d 1173, 1177 (9th
 5 Cir. 1987)).

6
 7 **1. 24 Hour Fitness cannot establish that an actual controversy existed**
 8 **when it filed its Complaint**

9 Here, the pleadings and underlying facts establish that 24 Hour Fitness raced to the court
 10 and filed a declaratory judgment action for non-infringement as a negotiation tactic and forum
 11 shopping maneuver, before a justiciable controversy regarding 24 Hour Fitness' infringement of
 12 Apex, LLC's and Apex At Home's trademark rights had arisen. At the time that 24 Hour Fitness
 13 hastily filed this action in its home forum, the parties were in the middle of negotiating a possible
 14 consent agreement that would address the dual uses of "Apex" marks, but in a way that would
 15 insure Apex Stores' application to register its "Apex Companies" mark would be allowed to
 16 proceed. Notably, Apex Stores, Apex, LLC and Apex At Home never explicitly or implicitly
 17 threatened to file a lawsuit against 24 Hour Fitness before or during their negotiations. In fact,
 18 from his very first communication to the Plaintiff, Defendants' counsel consistently and
 19 repeatedly conveyed the Defendants' intent to "resolve this issue amicably." Accordingly, the
 20 Defendants good faith efforts to reach an agreement with 24 Hour Fitness over the trademarks
 21 demonstrate that an actual case or controversy did not exist when 24 Hour Fitness filed this non-
 22 infringement action.
 23

24 By the same token, 24 Hour Fitness' communications in response to Apex Stores' efforts
 25 to negotiate a potential consent agreement over a more than six week period, while making no
 26 effort to serve its Complaint or otherwise pursue its declaratory judgment action, reveal that no
 27 actual case or controversy existed. For instance, Plaintiff's counsel's April 11, 2008 letter -- two
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1 weeks after Plaintiff furtively filed its Original Complaint -- stated that "24 Hour Fitness
2 continues to view a consent agreement under which the parties would agree to confine their
3 activities under their Apex marks to their respective business areas as a potentially reasonable
4 resolution of this matter." (Ottaviani Decl. ¶ 11, Ex. F).

5 In an analogous case, *Shoom, Inc. v. Electronic Imaging Systems of America, Inc.*, 2006
6 WL 1529983, at *6 (N.D. Cal. Jun. 1, 2006), the plaintiff filed a non-infringement action seeking
7 a declaratory judgment and invalidation of a patent. This Court found that no actual case or
8 controversy existed because the parties were still engaged in negotiations over the patent. *See id.*
9 ("[A] litigation controversy does not arise until negotiations have broken down.") (quoting
10 *Phillips Plastics Corp. v. Kato Hatsujou Kabushiki Kaisha*, 57 F.3d 1051, 1053 (Fed. Cir. 1995)).
11 The court reasoned that "[t]he Ninth circuit has recognized that banter between parties, short of a
12 threat to file a suit or harassing or threatening to harass the trade...goes far to undercut the
13 requisites of an actual controversy." *Id.* (quoting *Solenoid Devices, Inc. v. Ledex, Inc.*, 375 F.2d
14 444, 445 (9th Cir. 1967)) (internal quotation omitted).

15 Here, the letters and email from the Defendants' counsel reveal a good faith effort to
16 establish an agreement on the parties' respective uses of the Apex marks, not a breakdown of
17 negotiations. (Ottaviani Decl. ¶¶ 10, 12, Exs. E, G). Although Apex Stores had filed a Petition
18 for Cancellation of 24 Hour Fitness' registrations with the TTAB -- it is important to note that the
19 validity of 24 Hour Fitness' registrations is **not** the subject of plaintiff's declaratory judgment
20 action -- the Defendants never suggested that they were considering commencing an infringement
21 action against the Plaintiff. Instead, the communications with 24 Hour Fitness leading up to
22 Plaintiff's filing show that defendants repeatedly emphasize that they were open to a settlement
23 that would involve a consent agreement. (*Id.* ¶¶ 11, 12, Exs. E, G); *Contra Rhoades v. Avon*
24 *Products, Inc.*, 504 F.3d 1151, 158 (9th Cir. 2007) ("[Plaintiff's] perception of threats was more
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1 than reasonable. Not only did [d]efendant allegedly make three concrete threats of infringement
2 litigation, but it did so on the heels of years of unsuccessful and tense settlement negotiations, and
3 after [defendant] initiated seven actions in the TTAB.”).

4 Secondly, the Defendants made no final demand nor did they give 24 Hour Fitness an
5 ultimatum regarding its use of the marks. *Compare E. & J. Gallo Winery v. Pernod Ricard USA,*
6 *LLC*, 2006 WL 2849830, at *10 (E.D. Cal. Oct. 5, 2006) (“The letter itself was written in
7 unequivocal terms, explicitly stating the laws [defendant] accused [plaintiff] of violating, and
8 imposing strict deadlines for Gallo to comply with the demands.”), *with M.D. Beauty, Inc. v.*
9 *Dennis F. Gross, M.D., P.C.*, 2003 WL 24056263, at *4 (N.D. Cal. Oct. 27, 2003) (a “letter that
10 stated [defendant] would prefer to resolve this matter amicably....” and “ended with an invitation
11 to discuss the matter” did not threaten litigation).

12 Lastly, 24 Hour Fitness has no basis to assert that the Defendants have a litigious
13 reputation. *Compare Id.* at 9 (“[Plaintiff] knew that defendant has chosen eminent New York
14 patent and trademark counsel, who enjoyed the reputation of being vigorous litigators in trial
15 courts, state and federal....[plaintiff] also justifiably believed that Pernod, had in the past
16 vigorously and aggressively litigated intellectual property cases against its client’s competitors in
17 the courts.”).

18 24 Hour Fitness simply cannot show that an actual case or controversy existed at the time
19 it filed its Original Complaint. Rather, Plaintiff engaged in a sharp negotiation tactic by silently
20 racing to capture the home forum should settlement negotiations not proceed as it desired.
21 Accordingly, this Court should dismiss the First Amended Complaint in its entirety, because the
22 Court lacked subject matter jurisdiction when the Original Complaint was filed.
23

24 **2. There is no subject matter jurisdiction over the claim for declaratory**
25 **judgment against Apex Stores, since that Defendant has no legal interest in**
26 **the outcome of this action**
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1 This Court should dismiss Defendant Apex Stores because it has no legal interest in the
 2 outcome of 24 Hour Fitness' declaratory judgment action. "A federal court has no authority to
 3 issue a declaratory judgment apart from that authority granted it by the Declaratory Judgment
 4 Act, which requires by its terms that an actual controversy exist between the parties before the
 5 court." *Gladwell Governmental Services, Inc. v. County of Marin*, 2005 WL 2656964, at *1
 6 (N.D. Cal. Oct. 17, 2005) (citation and internal quotation omitted). "The controversy must be
 7 definite and concrete, touching the legal relations of parties having adverse legal interests." *Id.*
 8 (citation omitted). "The rule in federal cases is that an actual controversy must exist at all stages
 9 of review and not merely at the time the complaint is filed." *Id.* (citation omitted).

11 "Whenever an action loses its character as a present live controversy during the course of
 12 litigation, federal courts are required to dismiss the action as moot." *Id.* (quoting *Allard v.*
 13 *DeLorean*, 884 F.2d 464, 466 (9th Cir. 1989) (internal quotation omitted). "An action ceases to
 14 be a present live controversy and becomes moot once either party is shown to lack a legally
 15 cognizable interest in the outcome of the adversary proceeding." *Id.* (citation and internal
 16 quotation omitted).

18 Here, Apex Stores no longer owns the Apex marks at issue in 24 Hour Fitness'
 19 declaratory judgment action. (Gates Decl. ¶ 6). Therefore, Apex Stores does not have a legally
 20 cognizable interest in the outcome of this action which seeks a judicial declaration that 24 Hour
 21 Fitness does not infringe upon the Apex Stores' trademarks. Accordingly, this Court should
 22 dismiss Apex Stores from this action. *See id.* at *3 (dismissing counterclaim against
 23 counterdefendant because they had no ownership interest in the copyright and therefore no legal
 24 stake in the outcome).

26 **3. Even if this Court determines an actual case or controversy existed,**
 27 **this court should exercise its discretion and dismiss the First Amended**
 28 **Complaint because 24 Hour Fitness filed this anticipatory suit in bad**
faith as a forum shopping tactic

1 Even if an actual case or controversy could be said to have existed when Plaintiff filed its
2 Original Complaint, in the interest of equity the Court should dismiss this declaratory judgment
3 action because 24 Hour Fitness filed this anticipatory suit in bad faith for the sole purpose of
4 forum shopping.
5

6 Before proceeding on a suit brought under the Declaratory Judgment Act, if it finds that
7 there is an actual case or controversy, a district court must then decide whether to exercise its
8 discretion. *Freecyclesunnyvale v. Freecycle Network, Inc.*, No. C 06-00324 CW, 2006 WL
9 870688, at *5 (N.D. Cal. Apr. 4, 2006) (citation omitted). In making this determination, a district
10 court must consider the factors set forth in *Brillhart v. Excess Ins. Co.*, 316 U.S. 491, 495 (1942).
11 *Id.* In the Ninth Circuit, “[t]he *Brillhart* factors remain the philosophic touchstone for the district
12 court. The district court should avoid needless determination of state law issues; it should
13 discourage litigants from filing declaratory actions as a means of forum shopping; and it should
14 avoid duplicative litigation.” *Id.* (quoting *Government Employees Ins. Co. v. Dizol*, 133 F.3d
15 1220, 1225 (9th Cir. 1998); citing *Continental Cas. Co. v. Robsac Industries*, 947 F.2d 1367,
16 1371-73 (9th Cir. 1991)). The district court must “balance concerns of judicial administration,
17 comity, and fairness to the litigants.” *Id.* (quoting *Chamberlain v. Allstate Ins. Co.*, 931 F.2d
18 1361, 1367 (9th Cir. 1991)). Other relevant considerations include:
19
20

21 [W]hether the declaratory action will settle all aspects of the controversy; whether
22 the declaratory action will serve a useful purpose in clarifying the legal relations
23 at issue; whether the declaratory action is being sought merely for the purposes of
24 procedural fencing or to obtain a ‘res judicata’ advantage; or whether the use of a
25 declaratory action will result in entanglement between the federal and state court
26 systems. In addition, the district court might also consider the convenience of the
27 parties, and the availability and relative convenience of other remedies.
28

Freecyclesunnyvale, 2006 WL 870688, at *5.

“A court can also decline jurisdiction if it appears that the declaratory relief suit was filed
for an improper tactical purpose.” *Id.* (citation omitted). “For instance, courts have recognized

1 that declaratory relief actions are inappropriate when filed merely to improve a bargaining
 2 position in ongoing negotiations.” *Id.* (citing *EMC Corp. v. Norand Corp.*, 89 F.3d 807, 809
 3 (Fed. Cir. 1996), *overruled in part on other grounds*, *MedImmune, --- U.S. ---*, 127 S.Ct. 764,
 4 166 L.Ed.2d 604 (2007)).

5 The “first to file” rule allows a district court to transfer, stay or dismiss an action when a
 6 similar complaint has been filed in another federal court. *Z-Line Designs, Inc. v. Bell'O Intern.*,
 7 LLC, 218 F.R.D. 663, 665 (N.D. Cal. 2003) (citing *Ward v. Follett Corp.*, 158 F.R.D. 645, 648
 8 (N.D. Cal. 1994); *Alltrade, Inc. v. Uniweld Products, Inc.*, 946 F.2d 622, 623 (9th Cir. 1991)). “In
 9 applying this rule, a court looks at three threshold factors: (1) the chronology of the two actions;
 10 (2) the similarity of the parties; and (3) the similarity of the issues.” *Id.*

11 Even if the threshold factors of the first to file rule are met, “[w]ise judicial
 12 administration, giving regard to conservation of judicial resources and comprehensive disposition
 13 of litigation, does not counsel rigid mechanical solution of such problems.” *Id.* (quoting *Alltrade*,
 14 946 F.2d at 627-28). “District courts can, in the exercise of their discretion, dispense with the
 15 rule for reasons of equity.” *Id.* *Ward*, 158 F.R.D. at 648; *Alltrade*, 946 F.2d at 625-26.
 16 “Circumstances under which the first to file rule will not be applied include bad faith, anticipatory
 17 suit, and forum shopping.” *Id.*

18 Anticipatory suits are disfavored because they are examples of forum shopping. *Id.*
 19 (citation omitted). Further, “[t]he Declaratory Judgment Act is not to be invoked to deprive a
 20 plaintiff of his conventional choice of forum and timing, precipitating a disorderly race to the
 21 courthouse.” *Id.* (quoting *DeFeo v. Procter & Gamble Co.* 831 F.Supp. 776, 778 (N.D. Cal.
 22 1993); *Gribin v. Hammer Galleries*, 793 F.Supp. 233, 234-35 (C.D. Cal. 1992)). “Application of
 23 the first to file rule in such situations would thwart settlement negotiations, encouraging
 24 intellectual property holders to file suit rather than communicate with an alleged infringer.” *Id.*

1 (citation omitted).

2 In the interest of equity, this Court should exercise its discretion and decline to entertain
 3 24 Hour Fitness' declaratory judgment action. 24 Hour Fitness filed this anticipatory suit,
 4 unbeknownst to the Defendants, while they were attempting to negotiate in good faith a consent
 5 agreement to resolve the PTO's refusal to allow registration of a new trademark application by
 6 Apex Stores. The sole reason 24 Hour Fitness filed this action was to secure jurisdiction in its
 7 home forum, presumably as leverage in the parties' negotiations and because it knew – but
 8 Defendants did not – that it intended to expand its use of an identical “Apex” mark into a
 9 competitive internet retail store. An analogous case from this Court illustrates how such
 10 anticipatory suits should be treated. In *Z-Line Designs, Inc.*, plaintiff's counsel accepted a second
 11 deadline extension to discuss with his client an settlement related to possible infringement of
 12 defendant's copyrights and trade dress rights. *Id.* at 666. Before the deadline to discuss
 13 settlement took place, plaintiff filed a declaratory judgment action for non-infringement. *Id.*
 14 After defendant did not hear from the plaintiff and the after the passage of the deadline, defendant
 15 filed an infringement action in another federal court. *Id.* The court found that the plaintiff's
 16 acceptance of the deadline was a misleading communication that “created a reasonable
 17 expectation that the plaintiff would explore settlement rather than litigation.” *Id.* Finding the
 18 plaintiff's declaratory judgment action to be an anticipatory suit, the court dismissed the
 19 complaint and reasoned that:

23 Denial of defendant's motion to dismiss in this situation would discourage pre-
 24 litigation settlement discussions. At a minimum, such a denial would encourage
 25 parties interested in protecting their intellectual property rights to file a complaint
 26 prior to attempting settlement. Potential plaintiffs should be encouraged to
 attempt settlement discussions... prior to filing lawsuits without fear that the
 defendant will be permitted to take advantage of the opportunity to institute
 litigation in a district of its own choosing before the plaintiff files a complaint.

27 *Id.* at 666-67 (citations omitted and internal quotations omitted).

28 Similarly in this case, 24 Hour Fitness secretly filed a declaratory judgment action while it

1 and counsel for the Defendants were negotiating a potential consent agreement. Then, 24 Hour
 2 Fitness quietly sat on its Complaint without serving it on Apex Stores (the only named defendant
 3 at that time) for over six weeks, not serving it until May 8, 2008, after Apex, LLC and Apex At
 4 Home filed and served their lawsuit in the District of Rhode Island. Until May 8, 2008, 24 Hour
 5 Fitness gave the Defendants the impression that it was willing to work towards an agreement for
 6 concurrent use of the marks.
 7

8 In short, 24 Hour Fitness' surreptitious effort to grab home forum in the event of a
 9 lawsuit, while purporting to negotiate an agreement with Defendants' counsel is an example of
 10 litigation gamesmanship that should not be countenanced. This Court should dismiss this
 11 anticipatory declaratory judgment action and allow Apex, LLC's and Apex At Home's
 12 infringement claims to be resolved in the action pending in the District of Rhode Island.
 13

14 APEX STORES, LLC; APEX, LLC; APEX
 15 AT HOME, LLC

16 Dated: June 30, 2008

By: /s/ Nathaniel Bruno

17 Neil A. Smith (SBN 63777)
 18 Nathaniel Bruno (SBN 228118)
 19 Sheppard Mullin Richter & Hampton,
 20 LLP
 21 Four Embarcadero Center, 17th Floor
 22 San Francisco, CA 94111-4109
 23 Telephone: (415) 434-9100
 24 Facsimile: (415) 434-3947
 25 *Attorneys for Defendants*
 26
 27
 28